

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Agricultural Land Base Rate: 2004 – 2009

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Tax Year											
2008 Pay 2009						\$1,200					
2007 Pay 2008**					1140**						
2006 Pay 2007*						880*					
2005 Pay 2006					\$880						
2004 Pay 2005	\$1,050										
2003 Pay 2004	\$1,050										

The Agricultural Land Base Rate calculation was first established for the 2002 general reassessment and was developed in compliance with the St. John's court case using the methodology described below. Rules related to the base rate calculation can be found at 50 IAC 21-6-1(a).

The calculations made for 2007 pay 2008 and for 2008 pay 2009 are based on a rolling six-year average of market value in use. Prior calculations were made based on a four-year rolling average. As illustrated in the following equation, the market value in use of agricultural land is calculated by dividing the net income of each acre by the appropriate capitalization rate.

$$\text{Market value in use} = \text{Net Income} / \text{Capitalization Rate}$$

Change in market value in use is based on changes in cash rent, yields, production costs, market prices and interest rates. For example, the change for 2008 pay 2009 was the result of the removal of the 1999 data and the addition of the 2005 data.

Net Cash Rents increased from \$99 in 1999 to \$110 on 2005. Yields for corn increased from 132 bushels in 1999 to 154 bushels in 2005 and yields for soybeans increased from 39 bushels in 1999 to 49 bushels in 2005. While prices for corn decreased from \$2.11 in 1999 to \$1.99 in 2005 (market year average), prices for soybeans increased from \$5.05 in 1999 to \$5.66 in 2005 (market year average). Interest rates also dropped from 8.77% in 1999 to 7.22% in 2005, which was a contributing factor in the overall increase to the market value in use.

****March 1, 2007 payable in 2008:**

Senate Enrolled Act (SEA) 327 required changing the four-year rolling average to a six-year rolling average for 2007 pay 2008 and beyond.

***March 1, 2006 payable in 2007**

SEA 327 froze the base rate for the March 1, 2006 assessment date at \$880. (The unpublished base rate had been calculated at \$1,050 and was based on data from 2000, 2001, 2002, and 2003.)